

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re: Reflections Homes, Inc.

Bky.No. 04-50969
Chapter 11

Debtor.

**NOTICE OF HEARING AND MOTION FOR APPROVAL OF A STIPULATION
WITH WILLIAM J. AMERY, RONNIE J. KIRSCHLING AND DEBTOR
AUTHORIZING ASSUMPTION OF LEASE**

TO: The entities specified in Local Rule 9013-3

1. Reflections Homes, Inc. ("Debtor") and William J. Amery and Ronnie J. Kirschling, ("Lessors") through his undersigned attorney, moves the court for the relief requested below and give notice of hearing.
2. The court will hold a hearing on this motion at 1:30 p.m. on November 3rd, 2004, before the Honorable Gregory F. Kishel, Courtroom 2, U.S. Courthouse, in the City of Duluth, County of St. Louis, State of Minnesota.
3. Any response to this motion must be filed and served by November 27th, 2004, which is five (5) days prior to the hearing or filed and served by mail by November 29th, 2004, which is seven (7) days prior to the hearing. **Unless a response opposing the motion is timely filed, the Court may grant the motion without a hearing.**
4. This Court has jurisdiction over this motion pursuant to 28 U.S.C. §§157 and 1334, Bankruptcy Rule 5005 and Local Rule 1070-1. This proceeding is a core proceeding within meaning of 28 U.S.C. §157(b)(2). The Petition commencing this case was filed on August 28th, 2004. This case is now pending in this Court.
5. This motion arises under 11 U.S.C. §365 and Bankruptcy Rule 6006. This motion is filed under Bankruptcy Rule 9014 and Local Rule 9013. Debtor and Lessors request relief with respect to authority to enter into a Stipulation Authorizing

Assumption of Lease with Lessors (the “Stipulation”). A copy of the Stipulation is attached hereto as **Exhibit A**.

BACKGROUND

6. On or about November 14th, 2003, the Debtor and William J. Amery and Ronnie J. Kirschling (“Lessors”) entered into a Lease Agreement. A copy of the Lease is attached hereto as **Exhibit B**.

7. Pursuant to the terms of the Lease, the Debtor leased from Lessors, the land and buildings at 2730 Greysolon Road in Duluth, Minnesota, St. Louis County. Legally described as follows:

Lot Seven (7) Block Thirty-eight (38), HARRISON’S DIVISION OF DULUTH, Lot Eight (8), Block Thirty-eight (38) HARRISON’S DIVISION OF DULUTH, Lot Six (6), except the W’ly 45 feet thereof, Block Thirty-eight (38) HARRISON’S DIVISION OF DULUTH.

EXCEPT all minerals. Certificate of Title Number 146906. TORRENS PROPERTY

8. Pursuant to the Lease, the Debtor agreed to pay Lessors the sum of \$5,450.00 per month, payable in advance on the fifteen’s (15th) day of each month, subject to annual increases for property tax and inflation for fifteen years. However, pursuant to Schedule 1 and Article 3 of the Lease, a percentage of the rent was to be deferred in the first four years of the Lease with such deferral being collected in the next four years of the Lease or upon termination of the Lease by Lessee. However, pursuant to Schedule 1 and Article Three of the Lease, \$650.00 per month of each month’s rent in 2003 and 2004 was to be deferred with the deferral decreasing to \$350.00 in 2005 and \$150.00 in 2006. Such deferrals were to be made up in 2007, 2008, 2009 and 2010.

9. Pursuant to the Lease, Lessee agreed to pay all utility payments and be solely liable for all utility charges as they become due.

10. Pursuant to the Lease, the Debtor agreed to pay Lessors attorneys fees incurred upon a breach of the Lease or default in such Lease. The Debtor also agreed to maintain a fire insurance.

11. Pursuant to the Lease, the Debtor agreed that should the Lease terminate early, the Debtor would pay the total amount of deferred Lease payments, if any, at the date of Lease determination.

12. Pursuant to the Lease, the Debtor agreed to pay Lessors attorneys fees incurred upon a breach of the Lease or default in such Lease.

13. Debtor is in default under the Lease, having failed to make the Lease payments due for the months of June, July and August, 2004, prepetition, and September and October, 2004, postpetition.

14. As described more fully in the Stipulation attached hereto as **Exhibit A**, Debtor and Lessors have agreed that Debtor may assume its obligation under the Lease as follows:

A. As a cure for Debtor's breach of the Lease, and as adequate assurance of future performance under the Lease, the Debtor shall pay the sum of \$10,345.20 for the postpetition rent by Thursday, October 14th, 2004, subject to the Court's approval upon this motion. Should the Court not approve of this payment, Lessors shall return such funds to the Debtor.

B. The Debtor shall also pay the sum of \$407.39, due to Waste Management to protect the Lessors from the property lien that the garbage hauler is entitled to file against the Lessors as owners of

the building. This payment shall be made by October 14th, 2004, and is subject to the approval of the Court. Should the Court not approve this payment, Lessors shall return such funds to the Debtor.

- C. As a cure for Debtor's breach of the Lease, and as adequate assurance of future performance under the Lease, the Debtor shall make a payment of \$10,345.20 on or before November 5th, 2004, representing the current November rent as well as the June prepetition rent.
- D. As a cure for Debtor's breach of the Lease, and as adequate assurance of future performance under the Lease, payment of \$10,345.20 on or before December 5th, 2004, representing payment of the December rent as well as payment of the July prepetition rent.
- E. The Debtor shall make a payment of the August prepetition rent of \$5,172.60 in addition to the adjusted January 2005 monthly rent on or before January 5th, 2005.
- F. Debtor shall execute any documents deemed necessary by Lessors to document the payment terms hereon agreed upon.

15. The Debtor has determined in the exercise of its sound business judgment that assumption of the Lease is in the best interest of its bankruptcy estate.

16. The land and buildings subject to the Lease have been used by the Debtor since the petition date and are necessary to the Debtor for its reorganization in order to provide services to its residence.

17. The terms of the Stipulation are reasonable and in the best interest of Debtors, its creditors and the bankruptcy estate.

18. If necessary, Debtor will call its president, Frederic Youngstrand, as a witness in connection with this motion.

WHEREFORE, Lessor prays that this Court approve the Stipulation and Assumption of the Lease, and for such other and further relief deems just and proper.

Dated: 10/22, 2004

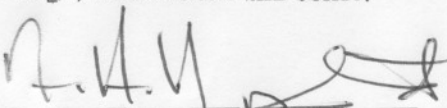
GERLACH BEAUMIER
Attorneys at Law, LLP

By Yvonne M. Novak
Yvonne M. Novak (#1047456)
Attorney for Debtor
101 West 2nd Street, Suite 200
Duluth, MN 55802
(218) 722-2144
GERLACH BEAUMIER
Attorneys at Law, LLP

VERIFICATION

I, Fredric Youngstrand, the President of Debtor, declare under penalty of perjury that the facts set forth in the foregoing Notice of Hearing and Joint Motion for Approval of a Stipulation with William J. Amery and Ronnie J. Kirschling, true and correct according to the best of my knowledge, information and belief.

Executed on:

10/22-04Fredric Youngstrand

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re: Reflections Homes, Inc.

Bky.No. 04-50969

Chapter 11

Debtor.

**STIPULATION AUTHORIZING ASSUMPTION OF LEASE WITH
WILLIAM J. AMERY AND RONNIE J. KIRSCHLING**

William J. Amery and Ronnie J. Kirschling, (“Lessors”) and Reflections Homes, Inc. (“Debtor”) have entered into this Stipulation Authorizing Assumption of Lease with Lessors (“Stipulation”) and requests the Court to approve same. The parties stipulate and agree as follows:

1. On or about August 28th, 2004, Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Court.
2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§157 and 1334. This is a core proceeding pursuant to 28 U.S.C. §157(b)(2).
3. On or about November 14th, 2003, the Debtor and Lessors entered into a Lease Agreement (the “Lease”).
4. Pursuant to the Lease, the Debtor leased from the Lessors the land and buildings located at 2730 Greysolon Road, Duluth, Minnesota, in St. Louis County. The land is legally described as follows:

Lot Seven (7) Block Thirty-eight (38), HARRISON’S DIVISION OF DULUTH, Lot Eight (8), Block Thirty-eight (38) HARRISON’S DIVISION OF DULUTH, Lot Six (6), except the W’y 45 feet thereof, Block Thirty-eight (38) HARRISON’S DIVISION OF DULUTH.

EXCEPT all minerals. TORRENS PROPERTY, Certificate of Title Number 146906.

5. Pursuant to the terms of the Lease, the Debtor agreed to pay Lessors the sum of \$5,450.00 per month of the fifth (5th) day of each month, for a period of fifteen years commencing October 18th, 2003, subject to annual increases for property taxes and inflation. Pursuant to Schedule 1 and Article Three of the Lease, \$650.00 per month of each month's rent in 2003 and 2004 was to be deferred with the deferral decreasing to \$350.00 in 2005 and \$150.00 in 2006. Such deferrals were to be made up in 2007, 2008, 2009 and 2010.

6. Pursuant to the Lease, the Debtor agreed to provide property/casualty insurance and fire insurance on the premises, naming the Lessors as an additional insured.

7. Pursuant to the Lease, the Debtor agreed that should the Lease terminate early, the Debtor would pay the total amount of deferred Lease payments, if any, at the date of Lease termination.

8. Pursuant to the Lease, the Debtor agreed to pay Lessors attorneys fees incurred upon a breach of or default in such Lease.

9. The Debtor is in default under the Lease, having failed to make prepetition Lease payments due for the months of June, July and August, 2004.

10. The Debtor has not assumed or rejected the Lease.

11. The Debtor has agreed to assume the Lease and the parties agree to the entry of an order approving the assumption of the Lease.

12. The Debtor and the Lessors agree to restructure the Lease payments of the Lease as follows:

- A. The Debtor shall make a payment of \$10,345.20 on or before November 5th, 2004, representing the current November 2004 rent as well as the June 2004 prepetition rent.

- B. The Debtor shall make a payment of \$10,345.20 on or before December 5th, 2004, representing payment of the December 2004 rent as well as payment of the July 2004 prepetition rent.
- C. The Debtor shall make a payment of the August 2004 prepetition rent of \$5,172.60 in addition to the adjusted January 2005 monthly rent on or before January 5th, 2005, along with all reasonable attorney fees incurred by Lessors associated with Debtor's breach of the Lease, including, but not limited to, Lessors' reasonable attorney fees incurred in connection with the negotiation and preparation of this Stipulation in an amount not to exceed \$1,000.
- D. The prepetition rents payable by the Debtor in accordance with subparagraphs A, B and C above are cure payments, and these cure payments are not intended to, nor shall they, satisfy the Debtor's obligation to pay deferred rent in accordance with the terms of the Lease for or on account of any prepetition period.
- E. Debtor shall execute any documents deemed necessary by Lessors to document the payment terms hereon agreed upon.

13. The Debtor has determined in the exercise of its sound business judgment that assumption of the Lease is in the best interest of its bankruptcy estate.

14. The Debtor stipulates and agrees, in the event of the Debtor failure to comply with the terms and conditions of this stipulation or the Lease, as amended, Lessors shall be entitled to relief from the automatic stay to pursue their remedies under applicable non-bankruptcy law, including lease termination, which relief from stay shall be granted within three (3) business days after the filing by Lessors and service on the Debtor of an affidavit of legal counsel indicating that a default under the stipulation

and/or lease, as amended, has occurred. The only defense of the Debtor to the granting of such relief shall be that no such default has in fact occurred.

15. Debtor stipulates and agrees that any stay imposed by Bankruptcy rule 4001 (a)(3) is waived by the Debtor.

16. No delay or failure to exercise any rights, powers or remedies by Lessors upon breach or default by Debtor under this Stipulation or the Order approving this Stipulation shall impair such right, power or remedy of Lessors, nor shall be construed to be a waiver of such breach of default theretofore or thereafter occurring.

17. Any relief granted herein shall be without prejudice to the rights of Lessors to seek any other relief except as specifically waived herein including, without limitation, Lessor's right to have the automatic stay modified pursuant to Section 362 of the Bankruptcy Code or for adequate protection pursuant to Section 361 of the Bankruptcy Code.

18. The Debtor and Lessors acknowledge and agree that except to the extent herein expressly modified, the provisions of the Lease and the rights and obligations of the parties hereunder remain the same, and Debtor hereby waives any and all defenses, offsets and counterclaims to Lessor's enforcement of the Lease.

19. The Debtor is authorized to execute such other documents as are necessary to comply with the terms of this Stipulation.

21. The provisions of this Stipulation shall be subject to and contingent upon the approval of the United States Bankruptcy Court for the District of Minnesota.

22. The Debtor agrees to have the United States Bankruptcy Court for the District of Minnesota approve the contents of this Stipulation on or before December 1, 2004 under the provisions of the Bankruptcy Code and applicable rules of Bankruptcy Procedure. The Debtor agrees that it will provide proper notice of the Stipulation

pursuant to the Bankruptcy code and the applicable Rules of Bankruptcy Procedure to all parties in interest.

23. This Stipulation shall be binding on all parties in interest for a all purposes on the date the United States Bankruptcy Court for the District of Minnesota enters an Order approving the Stipulation.

24. The Debtor and Lessors agree that if for any reason the United States Bankruptcy Court for the District of Minnesota fails to enter an Order approving the contents of this Stipulation in its entirety, no admission made herein shall be binding on any party hereto.

25. This Stipulation may be executed in multiple counterparts and may be executed by signature transmitted by telecopy, with each counterpart and facsimile signature constituting an original.

26. Any notice required to be sent hereunder shall be deemed given if provided via telecopier, receipt confirmed; shall be deemed given upon its deposit in the United States Mail, postage prepaid or hand delivered, and addressed as follows:

- (a) If to Lessors:
Mr. Frederic Dudderar, Jr.
Attorney for Lessors
Hanft Fride Law Firm
130 W. Superior Street
1000 US Bank Place
Duluth, MN 55802

And to:

Mr. William J. Amery
8541 Persimmon Drive
Fitchburg, WI 53711-5005

Mr. Ronnie J. Kirschling
C/o Mr. Frederic Dudderar, Jr.
Attorney for Lessors
Hanft Fride Law Firm
130 W. Superior Street
1000 US Bank Place
Duluth, MN 55802

(b) If to Debtor:

Mrs. Yvonne M. Novak
Attorney for Debtor
Gerlach Beaumier, LLP.
101 West 2nd Street, Suite 200
Duluth, MN 55802
(218) 722-2144

And to:

Mr. Frederic Youngstrand
25 N. 12th Avenue E. Suite F
Duluth, MN 55805

27. All agreements between the parties hereto are embodied and expressed herein, and the terms are contractual and not a mere recital.

STIPULATED AND AGREED BY:

Dated: _____, 2004

GERLACH BEAUMIER
Attorneys at Law, LLP

By _____
Yvonne M. Novak (#1047456)
Attorney for Debtor
101 West 2nd Street, Suite 200
Duluth, MN 55802
(218) 722-2144
GERLACH BEAUMIER
Attorneys at Law, LLP

And

Dated: _____, 2004

By _____
Frederic Dudderar, Jr. (# _____)

Attorney for Lessors
Hanft Fride Law Firm
130 W. Superior Street
1000 US Bank Place
Duluth, MN 55802

Greysolon Rd
Lease

LEASE

Lease made NOVEMBER, 14, 2003, between **William J. Amery**, of Madison, Wisconsin and **Ronnie J. Kirschling**, of Duluth Minnesota, herein referred to collectively as "Lessor", and **Personal Staff Senior Care, Inc.**, of Duluth, Minnesota, herein referred to as "Lessee".

I.

SUBJECT AND PURPOSE

Lessor hereby leases to Lessee the land and buildings at 2730 Greysolon Road (the "Premises"), Duluth, St. Louis County, Minnesota, legally described as:

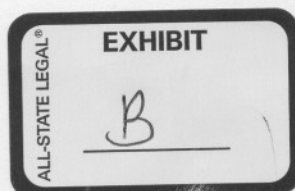
See Schedule A attached.

for Lessee's use as the place of operation for residential elder care. At the end of the term of this Lease, the Premises shall be surrendered to Lessor in as good condition as at the beginning of the term, ordinary wear and tear excepted.

II.

TERM AND RENT

The term of this lease shall be fifteen (15) year(s) commencing October 18, 2003. The initial rent shall be Five Thousand Four Hundred Fifty Dollars and no/100 (\$5,450.00) per month, payable in advance on the 15th day of each month commencing October 18, 2003, subject to the following adjustments to be made effective on January 1st of each year:



Each December, monthly lease rates will be adjusted for the upcoming year based on changes in property tax and inflation, as follows:

A. Adjustment for Property Tax: The lease rate will be increased/decreased for the subsequent year based upon increases or decreases in property taxes assessed, including installments of special assessments which become due. For example: if property taxes for the upcoming year have increased from \$5,000 to \$5,300, the monthly lease payment will be increased by one twelfth (1/12th) of the increase in taxes, or \$25.00 per month.

B. Adjustment for Inflation: The monthly lease rate, adjusted for property tax increase/decrease, will be increased/decreased based on changes in the Consumer Price Index, Medical Care, Hospital and related services, Table 1, Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, by expenditure category and commodity and service group, as published by the Bureau of Labor Statistics, United States Department of Labor, using the unadjusted percent change averaged over the previous twelve (12) months.

C. Example: In December, 2003 the monthly lease payment will be adjusted. The following example assumes that the net increase in property tax is \$300.00 per year, and the increase in the CPI factor, as above, is 3.5%. The monthly lease payment would change as follows:

Current monthly payment	\$5,450.00
Property tax increase	25.00
CPI adjustment (\$5,450 x 1.035)	192.00
New monthly payment	\$5,642.00

III.

LEASE PAYMENT DEFERRAL

A portion of the monthly lease payment will be deferred during the initial years of the lease in order to reduce business start up expenses for Lessee. Schedule 1 illustrates the lease payment deferral agreement. In the event the lease agreement should terminate early, Lessee agrees to pay Lessor the total amount of deferred lease payments, if any, at the date of lease termination. Adjustment of lease rates, as above, will not be affected by lease payment deferrals; the adjustments will occur on the basis of the original lease payment rate of \$5,450.00, increased or decreased from year to year, based on increases or decreases in property tax and the CPI.

IV.

ALTERATIONS, ADDITIONS AND IMPROVEMENTS

A. Furnishings: Lessor will provide furnishings for the Premises. Furnishings will become property of Lessee after seven (7) years. Lessee will be responsible for upkeep and replacement of furnishings during the term of the Lease.

B. Improvements: Lessee shall not make any alterations, additions or improvements in and to the Premises without specific prior written consent from Lessor.

All alterations, additions and improvements to the Premises, including those erected or installed during the term, shall become part of the Premises and the sole property of Lessor, except that all movable trade fixtures installed by the Lessee shall be and remain the property of the Lessee.

REPAIRS AND MAINTENANCE

Lessor shall be responsible for the structural and exterior maintenance, repair and replacement of the Premises, including, but not limited to, the roof, structural support, foundations, floor, and exterior walls. Lessor shall also be responsible for the replacement, at its cost, of the heating, air-conditioning units, the plumbing and sewage systems, and the electrical system serving the Premises, at such times as may be required during the lease term, unless such replacement is necessitated by the negligence of Lessee, its agents and employees.

If the required repairs, maintenance or replacement substantially interfere with Lessee's operations, Lessor shall commence any required repairs, maintenance or replacement within ten (10) days after written notice from Lessee of the need for same. Provided, that if Lessor has not commenced the cure within said ten (10) day period, Lessee may, but shall not be obligated to, perform or provide such repairs, maintenance and/or replacement as is necessary to cure Lessor's default hereunder. Whenever Lessee so elects to cure, all reasonable costs and expenses incurred by Lessee in curing Lessor's default, including reasonable attorney's fees, shall be promptly paid to Lessee by Lessor.

Where the required repairs, maintenance or replacement do not substantially interfere with Lessee's operations, Lessor shall have thirty (30) days to commence same and shall diligently pursue the completion of the work in a timely manner.

Lessee shall be responsible for the routine maintenance and repair of the interior of the Premises and lots, including snow removal, lawn care and care of shrubs and trees, and shall maintain the grounds in reasonably good condition. Lessee shall maintain the systems in the premises, however, Lessee shall not be responsible for any single repair to the systems which costs exceeds \$250.00 per occurrence. Repairs which cost in excess of this amount will be the responsibility of Lessor. Lessee shall give notice to Lessor of the need for any such repairs which are the responsibility of the Lessor.

All signs of Lessee shall conform to all applicable ordinances, rules and regulations.

VI.

LESSEE'S RIGHT OF FIRST REFUSAL

Sale of Property: Should Lessor decide to sell the property at 2730 Greysolon Road, Lessee will have the first right to purchase the Property. Lessor shall notify Lessee in writing of Lessee's intent to sell. The value of the Property will be determined on the basis of an appraisal by a qualified third party, with the Lessor and Lessee each paying one-half (1/2) of the expenses associated with appraising the Property. The appraisal shall be completed within thirty (30) days of Lessor's notice and Lessee shall have thirty (30) days from the date of receipt of the appraisal report to enter into a Purchase Agreement with Lessor for purchase of the Premises.

VII.

UTILITIES

All utility services on the premises shall be in the name of Lessee only and Lessee shall be solely liable for all utility charges as they become due.

VIII.

INSURANCE

Lessee and all those claiming by, through or under Lessee shall keep their property in and shall occupy and use the Lease Premises solely at their own risk; Lessee and all those claiming through Lessee hereby release Lessor, to the full extent permitted by law, from all claims of every kind, including loss of life, personal or bodily injury, damage to property, or damage to business or for business interruption, arising, directly or indirectly, out of or on account of such occupancy and use or resulting from any present or future condition or the state of repair thereof, or the acts, omissions or negligence of any other persons. Lessor shall not be responsible for damages or injury caused by or resulting from the bursting, leaking, overflowing or backing up of water, steam, gas, sewage, snow or ice in the Premises, or acts of God or the elements, or negligence in the construction, operation or use of the building or improvements.

Lessee agrees to indemnify and hold harmless the Lessor from and against all claims of whatever nature arising from any accident, injury or damage to person or property during the term hereof in or about the Premises or arising from any accident, injury or damage to personal property where such accident, injury or damage results or is claimed to have resulted from an act, omission or negligence on the part of Lessee,

or on the part of any of its licensee, agents, invitees or employees. This indemnity agreement shall include indemnity against all costs, claims, loss, attorneys' fees, expenses, penalties, liens and liabilities incurred in or in connection with any such claim or proceeding brought thereon and the defense thereof.

Lessee agrees to maintain a policy of general public liability and property damage insurance under which the Lessor is named as an additional insured, and under which the insurer agrees to indemnify Lessor and to hold it harmless from and against all costs, expenses, loss, and/or liability arising out of or based upon any and all claims, accident, injuries, loss and damages heretofore mentioned in this Section. Such policy shall be noncancellable with respect to Lessor except upon thirty (30) days' written notice to Lessor, and a Certificate of Insurance evidencing the required coverage shall be delivered to Lessor. The minimum limits of such insurance shall be a combined single limit of coverage in the amount of \$1,000,000.00 for injury (or death), or with respect to property damage.

Lessee shall purchase and maintain a policy of fire and extended coverage, insuring the premises, and naming Lessor as loss payee. Said policy shall be in a sum not less than the fair market value of the Premises. Said policy shall be non-cancelable with respect to Lessor except upon thirty (30) days written notice to Lessor and a Certificate of Insurance evidencing the required coverage shall be delivered to Lessor.

Lessor and Lessee agree:

1. That in the event the Premises or its contents are damaged or destroyed by fire or other insured casualty, the right, if any, of subrogation, or any other right, of either party against the other with respect to any such damage or destruction are hereby waived; and

2. That all policies of fire and/or extended coverage or other insurance covering the Premises or its contents shall contain a clause or endorsement providing in substance that the insurance shall not be prejudiced if the assureds have waived right of recovery from any person or persons prior to the date and time of loss or damage, if any.

IX.

INDEMNITY

Lessee shall indemnify Lessor against all expenses, liabilities and claims of any kind including attorneys' fees by or on behalf of any person or entity arising out of:

1. Failure by Lessee to perform any terms of this Lease;
2. Any injury or damage happening on the premises;
3. Failure to comply with any law;
4. Any mechanics lien or security interest filed against the premises or improvements as a result of works or materials other than work or materials supplied under contract with Lessor.

X.

DEFAULT

Each of the following events shall constitute a default or breach of this Lease by Lessee:

1. If Lessee shall file a petition in bankruptcy or insolvency or shall voluntarily take advantage of any such act by answer or otherwise or make an assignment for the benefit of creditors;
2. The voluntary bankruptcy of Lessee, under any chapter of the Bankruptcy Act.
3. If involuntary proceedings under any bankruptcy law or insolvency act shall be instituted against Lessee or if a receiver or trustee shall be appointed of all or substantially all the property of Lessee and

such proceeding shall not be dismissed within ten (10) days after the institution or appointment;

4. If Lessee shall fail to pay Lessor any rent or any other payment when due or shall fail to make the payment within twenty (20) days after notice thereof by Lessor to Lessee;

5. If Lessee shall fail to perform or comply with any conditions of this Lease and if the non-performance shall continue for a period of twenty (20) days after notice thereof by Lessor to Lessee;

6. If Lessee shall vacate or abandon the premises;

7. If this Lease shall be transferred to or pass or devolve on any other person or entity except in the manner herein permitted.

XI.

REMEDIES

A. Early Termination of Lease by Lessor: In the event Lessor should decide to terminate the Lease prior to the agreed upon term of fifteen (15) years, Lessor agrees to provide Lessee with written notice six (6) months prior to the termination of occupancy under the Lease, and agrees to pay Lessee an amount equal to nine (9) months rental payments from the date of termination of occupancy under the Lease.

B. Early Termination of Lease by Lessee: In the event the Lessee terminates the Lease prior to the agreed upon term of fifteen (15) years, Lessee will provide Lessor with written notice six (6) months prior to termination of occupancy under the Lease, and agrees to pay Lessor an additional amount equal to nine (9) month's Lease Payments from the date of termination of occupancy under the Lease.

C. Additional Remedies: In the event of a default hereunder as set forth in the preceding Section X, the rights of Lessor shall be as follows:

1. Lessor shall have the right to cancel and terminate this Lease and the interest of Lessee hereunder by giving to Lessee not less than ten (10) days notice of cancellation and termination.

2. Lessor may re-enter the premises immediately without working a termination of the Lease and remove the property and personnel of Lessee and store the property in a public warehouse or in a place selected by Lessor at the expense of Lessee. After re-entry, Lessor may relet the premises or any part thereof for any term, without terminating the Lease, at the rent and on the terms as Lessor may choose, which may be for a term extending beyond the term of the lease. Lessor may make alterations and repairs to the premises. Lessee shall be liable for all expenses of reletting, for the alterations and repairs made and for the difference between the rent received by Lessor under the new lease agreement and the rent installments that are due for the same period under this Lease.

3. In the event of termination as provided for in this Article, by reason of a default under paragraphs 2 and 3 of Article X, Lessee shall pay forthwith to Lessor as liquidated damages, the difference between the value of the rent reserved in this Lease at the time of such termination and the then reasonable rental value of the leased premises for the residue of said term. In all other cases of termination by reason of default, in addition to any other remedies Lessor may have, it may recover from Lessee all damages it may incur by reason of such breach, including the cost of recovering the Premises, including reasonable attorney's fees.

4. In case suit shall be brought for recovery of possession of the Premises, for the recovery of rent or other amount due under the provisions of this Lease, or because of the breach of any other covenant herein contained on the part of Lessee to be kept or performed, and a breach shall be established, Lessee shall pay to Lessor all expenses incurred therefor, including a reasonable attorney's fee.

XII.

DESTRUCTION OF PREMISES

In the event of a partial destruction of the premises during the term, Lessor shall forthwith repair the same, provided the repairs can be made within sixty (60) days under the laws and regulations of applicable governmental authorities. Partial destruction

shall not void this Lease, but Lessee shall be entitled to a proportionate abatement of rent while the repairs are being made. If the repairs cannot be made in the specified time or in the event of the total destruction of the premises, this Lease shall be terminated and the rent prorated to the date of termination.

XIII.

CONDEMNATION

If the entire premises are taken or condemned (either through condemnation proceedings or under threat of condemnation proceedings) for any public or quasi-public use or purpose, this Lease shall terminate as of the date on which title vests in the authority and the rent shall be paid up to that date. If only a portion of the premises shall be taken or condemned, the Lessee may, at its option, terminate this Lease or may continue this Lease with the rent reduced in proportion to the decreased use suffered by Lessee as the parties may mutually agree. Each of the parties reserves its or his own rights in any condemnation award.

XIV.

ASSIGNMENT

Neither Lessee nor its successors or assigns shall assign this Lease or sublet the demised premises in whole or in part or permit the premises to be used or occupied by others except in the ordinary course of business, i.e., residential elder care. This Lease shall not be assigned or transferred by operation of law without the prior consent in writing of Lessor in each instance.

XV.

MISCELLANEOUS

A. Binding Effect. All covenants, conditions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

B. No Waiver. No waiver of any covenant or condition of this Lease by Lessor shall be deemed to imply or constitute a further waiver of the same covenant or condition or of any other covenant or condition of this Lease. Whenever in this Lease Lessor reserves or is given the right and power to give or withhold its consent to any action on the part of Lessee, such right and power shall not be exhausted by the exercise on one or more occasions, but shall be a continuing right and power during the entire term of this Lease.

C. Keys. Lessee will be supplied with keys for the building on the Premises. All such keys shall remain the property of Lessor. No additional locks shall be allowed on any door of the building unless a duplicate key is provided to Lessor.

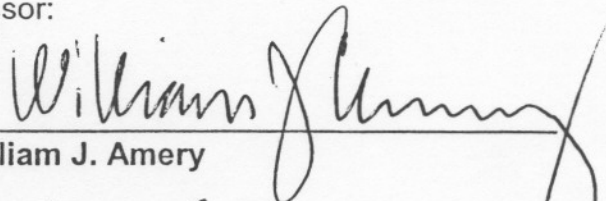
4. Governing Law. This Lease and all of its terms and provisions shall be deemed made in and governed and construed according to the laws of the State of Minnesota. All proceedings with respect to this Lease, whether by arbitration or otherwise, shall be conducted and venued in the City of Duluth, St. Louis County, State of Minnesota.

5. Integration: This written agreement (including any attached schedules or exhibits) constitute the entire agreement of the parties. The agreement may be modified only in a written instrument executed by all parties.

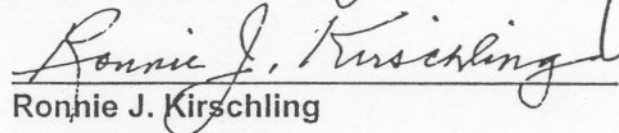
6. Time of the Essence: Time is of the essence of all provisions of this Lease.

IN WITNESS WHEREOF, the parties have executed this Lease in Duluth, Minnesota, the day and year first above written.

Lessor:



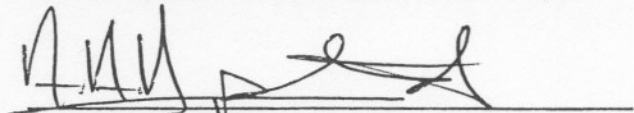
William J. Amery



Ronnie J. Kirschling

LESSEE:

PERSONAL STAFF SENIOR CARE, INC.



By: Fred Youngstrand
Its: President

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Schedule 1: Example of rent deferral schedule

	2003		2004		2005		2006		2007		2008		2009		2010	
	Rent	Deferred Rent	Rent*	Deferred Rent	Rent*	Deferred Rent	Rent*	Deferred Rent	Rent*	Deferred Rent	Rent*	Deferred Rent	Rent*	Deferred Rent	Rent*	Deferred Rent
January			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
February			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
March			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
April			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
May			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
June			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
July			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
August			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
September			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
October			\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
November	\$4,000	\$650	\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
December	\$4,000	\$650	\$4,800	\$650	\$5,100	\$350	\$5,300	\$150	\$5,500	(\$50)	\$5,700	(\$250)	\$5,900	(\$450)	\$5,958	(\$508)
Yearly Deferred		\$1,300		\$7,800		\$4,200		\$1,800		(\$800)		(\$3,000)		(\$5,400)		(\$8,096)
Total Deferred		\$1,300		\$9,100		\$13,300		\$15,100		\$14,500		\$11,500		\$6,100		\$4

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re: Reflections Homes, Inc.

Bky.No. 04-50969
Chapter 11

Debtor.

MEMORANDUM OF LAW

Debtor submits this Memorandum in support of its Motion for Approval of a Stipulation with William J. Amery and Ronnie J. Kirschling and Debtor Authorizing Assumption of Lease. A hearing is scheduled on November 3rd, 2004 to consider the motion.

FACTS

The factual basis for this memorandum are set forth in the verified motion and incorporated herein. Capitalized terms not defined herein have the meaning ascribed to them in the Motion.

LEGAL ARGUMENT

The Proposed Assumption of Lease Is in the Best Interest of Creditors and the Estate.

11 U.S.C. §365(a) provides that:

[T]he Trustee, subject to the court's approval, may assume or reject any executory contract or unexpired lease of the Debtor.

The Debtor has the right, subject to Court approval, to assume the Lease referenced in the motion. 11 U.S.C. §1107(a).

In order to obtain court approval of assumption or rejection of a lease under 11 U.S.C. §365(a), the Debtor must establish that, in its best judgment, assumption or rejection is in the best interest of its creditors and the bankruptcy estate. In re Crystalin, LLC, 293 B.R.455, 464 (Bankr. D. Minn. 2003).

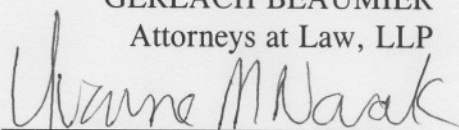
Assumption of the Lease as described in the motion is in the best interest of creditors and the estate for the reasons set forth in the verified motion. Based on those reasons and the foregoing law, the Debtor requests that the court authorize assumption of the Lease as set forth in the motion.

WHEREFORE, the Debtor respectfully requests that this court approve assumption of the Lease as set forth in the motion.

Dated: 10/22, 2004

GERLACH BEAUMIER
Attorneys at Law, LLP

By



Yvonne M. Novak (#1047456)

Attorney for Debtor

101 West 2nd Street, Suite 200

Duluth, MN 55802

(218) 722-2144

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Bky. No.
Chapter 11

Reflections Homes, Inc.

Debtor.

ORDER

This matter came before the undersigned on November 3rd, 2004, on Debtor's Motion for Approval of a Stipulation with William J. Amery and Ronnie J. Kirschling and Debtor Authorizing Assumption of Lease. The court having heard the argument of counsel, reviewed the documents and pleadings on file with the court, and having determined that approval of the Stipulation attached to the Motion and assumption of the Lease is in the best interest of the estate.

IT IS ORDERED:

1. The Motion is granted; and
2. Assumption of the Lease between Lessors and Debtor is hereby approved in accordance with the terms of the Stipulation.

Dated this ____ day of _____, 2004.

JUDGE
UNITED STATES BANKRUPTCY COURT

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re: Reflections Homes, Inc.

Bky.No. 04-50696

Chapter 11

Debtor.

UNSWORN CERTIFICATE OF SERVICE

I, Yvonne M. Novak, declare under penalty of perjury that on October 22nd, 2004, I served copies of the attached:

1. Debtor's and Lessor's Notice of Hearing and Motion for Approval of a Stipulation with William J. Amery and Ronnie J. Kirschling and Debtor Authorizing Assumption of Lease;
2. Memorandum of Law; and
3. Proposed Order.

by sending a copy **via fax** of these documents to:

Mr. Frederic Dudderar, Jr.
Attorney for Lessors
Hanft Fride Law Firm
130 W. Superior Street
1000 US Bank Place
Duluth, MN 55802

Michael R. Fadlovich
Bankruptcy Trustee
US Courthouse Suite 1015
300 South Fourth Street
Minneapolis, MN 55415

Tom McCarney
P.O. Box 161361
Duluth, MN 55816

Upper Lake Foods, Inc.
C/o Kirk Wimmer
801 Industry Avenue
Cloquet, MN 55720

And

by sending a copy **via mail** of these documents to:

Ronnie J. Kirschling
C/o Mr. Frederic Dudderar, Jr.
Hanft Fride Law Firm
130 W. Superior Street
1000 US Bank Place
Duluth, MN 55802

William J. Amery
8541 Persimmon Drive
Fitchburg, WI 53711-5005

Office of US Trustee
1015 US Courthouse
300 South Fourth Street
Minneapolis, MN 55415

IRS District Counsel
650 Galtier Plaza
175 E. Fifth Street
St. Paul, MN 55101

IRS District Director
316 No. Roberts St. #389
St. Paul, MN 55101-1423

Minn. Dept. of Revenue
Collection Enforcment
551 Bankruptcy/PO 64447
St. Paul, MN 55164

United States Attorneys for
The District of Minnesota
600 U.S. Courthouse
300 S. 4th St.
Minneapolis, MN 55415

Dated this 22 day of October, 2004.

GERLACH BEAUMIER
Attorneys at Law, LLP

By Yvonne M. Novak
Yvonne M. Novak (#1047456)
Attorney for Petitioner
101 West 2nd Street, Suite 200
Duluth, MN 55802
(218) 722-2144